

Howell Township



Livingston County, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2008**



REHMANN ROBSON

Certified Public Accountants

HOWELL TOWNSHIP

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

September 22, 2008

Board of Trustees
Township of Howell
Howell, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of ***Howell Township, Michigan***, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Howell Township, Michigan, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and each major special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has elected not to present Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howell Township's basic financial statements. The combining fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Howell Township
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,297,052	\$ 7,532,673	\$ 9,829,725
Receivables:			
Note receivable	20,444	-	20,444
State sources	61,384	-	61,384
Advances for future projects	78,878	25,713	104,591
Special assessments	-	20,594,440	20,594,440
Other	27,703	31,561	59,264
Investment in joint ventures	431,490	11,526,037	11,957,527
Reserves with County	-	28,368	28,368
Other assets	-	253,772	253,772
Internal balances	553,474	(553,474)	-
Capital assets not being depreciated	265,392	4,151,740	4,417,132
Capital assets being depreciated, net	719,976	27,403,050	28,123,026
	<u>4,455,793</u>	<u>70,993,880</u>	<u>75,449,673</u>
Liabilities			
Accounts payable	91,205	234,993	326,198
Long-term liabilities:			
Due in one year	-	1,385,324	1,385,324
Due in more than one year	13,329	28,086,337	28,099,666
	<u>104,534</u>	<u>29,706,654</u>	<u>29,811,188</u>
Net assets			
Invested in capital assets, net of related debt	985,368	17,272,179	18,257,547
Unrestricted	3,365,891	24,015,047	27,380,938
	<u>\$ 4,351,259</u>	<u>\$ 41,287,226</u>	<u>\$ 45,638,485</u>

The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 775,252	\$ 53,980	\$ -	\$ -
Public works	285,682	-	-	-
Recreation and culture	4,791	-	-	-
Total governmental activities	<u>1,065,725</u>	<u>53,980</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Sewer	1,027,967	727,965	8,757	-
Water	310,627	198,060	685,707	-
Water/Sewer	997,926	-	-	-
Total business-type activities	<u>2,336,520</u>	<u>926,025</u>	<u>694,464</u>	<u>-</u>
 Total primary government	 <u>\$ 3,402,245</u>	 <u>\$ 980,005</u>	 <u>\$ 694,464</u>	 <u>\$ -</u>

continued...

Howell Township
Statement of Activities (Concluded)
For the Year Ended June 30, 2008

Functions/Programs	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (1,011,745)	\$ (716,031)	\$ (1,727,776)
General revenues:			
Property taxes	781,814	-	781,814
State shared revenue	388,750	-	388,750
Unrestricted investment earnings	69,723	1,447,553	1,517,276
Franchise fees	30,329	-	30,329
Other	30,359	5,000	35,359
Transfers - internal activities	7,000	(7,000)	-
Total general revenues and transfers	1,307,975	1,445,553	2,753,528
Change in net assets	296,230	729,522	1,025,752
Net assets, beginning of year, as restated	4,055,029	40,557,704	44,612,733
Net assets, end of year	\$ 4,351,259	\$ 41,287,226	\$ 45,638,485

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

Howell Township
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Road</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 918,144	\$ 1,115,316	\$ 263,592	\$ 2,297,052
Receivables:				
Note receivable	20,444	-	-	20,444
State sources	61,384	-	-	61,384
Advances for future projects	78,878	-	-	78,878
Other	27,703	-	-	27,703
Due from other funds	-	-	553,474	553,474
	<u>-</u>	<u>-</u>	<u>553,474</u>	<u>553,474</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,106,553</u>	<u>\$ 1,115,316</u>	<u>\$ 817,066</u>	<u>\$ 3,038,935</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 40,224	\$ 1,283	\$ -	\$ 41,507
Accrued and other liabilities	21,338	-	-	21,338
Escrow payable	28,360	-	-	28,360
Deferred revenue	20,444	-	-	20,444
	<u>110,366</u>	<u>1,283</u>	<u>-</u>	<u>111,649</u>
Fund balances				
Reserved for road construction	-	1,114,033	-	1,114,033
Reserved for advances	78,878	-	-	78,878
Unreserved, reported in -				
Special revenue funds	-	-	817,066	817,066
Unreserved, undesignated	917,309	-	-	917,309
	<u>996,187</u>	<u>1,114,033</u>	<u>817,066</u>	<u>2,927,286</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,106,553</u>	<u>\$ 1,115,316</u>	<u>\$ 817,066</u>	<u>\$ 3,038,935</u>

The accompanying notes are an integral part of these financial statements.

Howell Township
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2008

Fund balances - total governmental funds	\$ 2,927,286
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets, net	1,287,123
Deduct: accumulated depreciation	(301,755)

Joint venture assets reported in governmental activities are not financial resources and therefore are not reported in the funds.

Add: investment in joint ventures	431,490
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred long-term receivables	20,444
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Certain liabilities, such as accrued interest payable and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: compensated absences	<u>(13,329)</u>
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Net assets of governmental activities	<u><u>\$ 4,351,259</u></u>
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The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>Road</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenue				
Taxes	\$ 440,258	\$ 329,144	\$ -	\$ 769,402
State shared revenue	388,750	-	-	388,750
Licenses and permits	82,594	-	-	82,594
Charges for services	1,715	-	-	1,715
Interest and other revenue	72,093	32,907	7,494	112,494
	<u>985,410</u>	<u>362,051</u>	<u>7,494</u>	<u>1,354,955</u>
Expenditures				
Current:				
General government	724,075	-	-	724,075
Public works	31,874	253,808	-	285,682
Recreation and culture	3,934	-	857	4,791
Capital outlay	17,996	-	3,025	21,021
	<u>777,879</u>	<u>253,808</u>	<u>3,882</u>	<u>1,035,569</u>
Total expenditures	<u>777,879</u>	<u>253,808</u>	<u>3,882</u>	<u>1,035,569</u>
Revenue over (under) expenditures	<u>207,531</u>	<u>108,243</u>	<u>3,612</u>	<u>319,386</u>
Other financing sources				
Payment on note receivable	10,223	-	-	10,223
Transfers in	7,000	-	12,433	19,433
Transfers out	(12,433)	-	-	(12,433)
	<u>4,790</u>	<u>-</u>	<u>12,433</u>	<u>17,223</u>
Total other financing sources	<u>4,790</u>	<u>-</u>	<u>12,433</u>	<u>17,223</u>
Net change in fund balances	212,321	108,243	16,045	336,609
Fund balances, beginning of year	<u>783,866</u>	<u>1,005,790</u>	<u>801,021</u>	<u>2,590,677</u>
Fund balances, end of year	<u><u>\$ 996,187</u></u>	<u><u>\$ 1,114,033</u></u>	<u><u>\$ 817,066</u></u>	<u><u>\$ 2,927,286</u></u>

The accompanying notes are an integral part of these financial statements.

Howell Township
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 336,609
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	6,866
Deduct: depreciation expense	(43,468)

The receipt of a long-term receivable represents revenue in the fund financial statements, but is reported as a reduction of the receivable in the statement of activities.

Deduct: payments received on deferred long-term receivables	(10,223)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in the accrual for compensated absences	<u>6,446</u>
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Change in net assets of governmental activities	<u><u>\$ 296,230</u></u>
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The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Amended Budget and Actual
General Fund
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue				
Property taxes	\$ 422,000	\$ 422,000	\$ 440,258	\$ 18,258
State sources	376,000	376,000	388,750	12,750
Interest income	12,000	12,000	29,322	17,322
Cable TV franchise fee	28,000	28,000	30,329	2,329
Nonbusiness licenses, permits and fees	21,900	21,900	19,434	(2,466)
Collection fees	9,500	9,500	10,191	691
Zoning fees	12,000	12,000	16,590	4,590
Zoning appeal board	800	800	2,900	2,100
Refunds and reimbursements	200	200	-	(200)
Land division fees	1,500	1,500	3,150	1,650
Charges for services	1,700	1,700	1,715	15
Other	15,300	15,300	42,771	27,471
	<u>900,900</u>	<u>900,900</u>	<u>985,410</u>	<u>84,510</u>
Total revenue				
	<u>900,900</u>	<u>900,900</u>	<u>985,410</u>	<u>84,510</u>
Expenditures				
General government:				
Township board	28,429	28,429	26,358	(2,071)
Supervisor	28,931	28,931	28,801	(130)
Clerk	66,501	74,849	72,350	(2,499)
Manager	124,426	89,683	88,117	(1,566)
Election expenses	23,478	23,478	12,277	(11,201)
Treasurer	36,356	40,856	37,895	(2,961)
Finance director	45,974	-	-	-
Professional services:				
Legal	170,000	150,512	11,559	(138,953)
Other	17,500	17,500	16,430	(1,070)
Tax roll preparation	7,600	7,600	9,044	1,444
Township hall expenses	32,200	32,200	21,244	(10,956)
Township general expenses	106,000	100,250	78,362	(21,888)
Cemetery and memorials	5,200	5,600	5,135	(465)
Planning commission	22,985	22,985	18,843	(4,142)
Planning consultant	20,000	20,000	18,411	(1,589)
Board of appeals	4,625	4,625	4,161	(464)
Board of review	1,915	2,065	2,077	12
Zoning	-	49,200	44,073	(5,127)
Payroll taxes	34,300	34,300	31,878	(2,422)
Assessor	93,506	101,489	97,270	(4,219)
Insurance	18,000	18,000	14,659	(3,341)
Economic development	2,500	3,500	3,500	-
Employees' life insurance	22,328	22,328	18,728	(3,600)
Retirement	44,806	63,306	62,048	(1,258)
Meetings	600	975	855	(120)
Other	5,000	18,499	-	(18,499)
	<u>963,160</u>	<u>961,160</u>	<u>724,075</u>	<u>(237,085)</u>
Total general government				
	<u>963,160</u>	<u>961,160</u>	<u>724,075</u>	<u>(237,085)</u>

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Howell Township
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Amended Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Public works:				
Street lighting	\$ 4,800	\$ 4,800	\$ 3,558	\$ (1,242)
Drains	34,000	28,000	27,018	(982)
Engineering	10,500	18,500	1,298	(17,202)
Total public works	49,300	51,300	31,874	(19,426)
Recreation and cultural	3,425	3,425	3,934	509
Capital outlay	19,000	19,000	17,996	(1,004)
Total expenditures	1,034,885	1,034,885	777,879	(257,006)
Revenue over (under) expenditures	(133,985)	(133,985)	207,531	341,516
Other financing sources (uses)				
Payment on note receivable	12,433	12,433	10,223	(2,210)
Transfers in	7,000	7,000	7,000	-
Transfers out	(12,433)	(12,433)	(12,433)	-
Total other financing sources (uses)	7,000	7,000	4,790	(2,210)
Net change in fund balances	(126,985)	(126,985)	212,321	339,306
Fund balance, beginning of year	783,866	783,866	783,866	-
Fund balance, end of year	\$ 656,881	\$ 656,881	\$ 996,187	\$ 339,306

The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Amended Budget and Actual
Road Special Revenue Fund
For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue				
Taxes	\$ 323,000	\$ 323,000	\$ 329,144	\$ 6,144
Interest and other revenue	14,000	14,000	32,907	18,907
Total revenue	337,000	337,000	362,051	25,051
Expenditures				
Public works:				
Maintenance	500,000	500,000	187,591	(312,409)
Chloride	90,000	90,000	66,217	(23,783)
Street lighting	50,000	50,000	-	(50,000)
Total expenditures	640,000	640,000	253,808	(386,192)
Net change in fund balances	(303,000)	(303,000)	108,243	411,243
Fund balances, beginning of year	1,005,790	1,005,790	1,005,790	-
Fund balances, end of year	\$ 702,790	\$ 702,790	\$ 1,114,033	\$ 411,243

The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Net Assets
Enterprise Funds
June 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Sewer/Water</u>	<u>Totals</u>
Assets				
Current assets:				
Cash and cash equivalents	\$1,539,561	\$ 2,330,099	\$ 3,663,013	\$ 7,532,673
Accounts receivable	31,561	-	-	31,561
Reserves with County	-	28,368	-	28,368
Advances for future projects	-	-	25,713	25,713
Due from other funds	-	5,267	-	5,267
Special assessments receivable, current portion	305,781	336,780	1,631,452	2,274,013
Unamortized bond issuance costs	172,167	-	81,605	253,772
Total current assets	<u>2,049,070</u>	<u>2,700,514</u>	<u>5,401,783</u>	<u>10,151,367</u>
Noncurrent assets:				
Special assessments receivable, net of current portion	2,065,735	933,354	15,321,338	18,320,427
Equity in MHOG	-	11,526,037	-	11,526,037
Capital assets, net	11,962,102	3,180,620	16,412,068	31,554,790
Total noncurrent assets	<u>14,027,837</u>	<u>15,640,011</u>	<u>31,733,406</u>	<u>61,401,254</u>
 Total assets	<u>16,076,907</u>	<u>18,340,525</u>	<u>37,135,189</u>	<u>71,552,621</u>
 Liabilities				
Current liabilities:				
Accounts payable	27,809	-	5,660	33,469
Interest payable	31,190	43,492	126,842	201,524
Due to other funds	558,741	-	-	558,741
Bonds payable, current portion	275,000	100,000	725,000	1,100,000
Leases payable, current portion	-	255,324	-	255,324
Installment purchase contract payable, current portion	-	-	30,000	30,000
Total current liabilities	<u>892,740</u>	<u>398,816</u>	<u>887,502</u>	<u>2,179,058</u>
Long-term debt				
Bonds payable, net of current portion	6,672,282	3,050,000	16,349,281	26,071,563
Leases payable, net of current portion	-	1,499,774	-	1,499,774
Installment purchase contract payable, net of current portion	-	-	515,000	515,000
Total long-term debt	<u>6,672,282</u>	<u>4,549,774</u>	<u>16,864,281</u>	<u>28,086,337</u>
 Total liabilities	<u>7,565,022</u>	<u>4,948,590</u>	<u>17,751,783</u>	<u>30,265,395</u>
 Net assets				
Invested in capital assets, net of related debt	5,014,820	9,801,559	2,455,800	17,272,179
Unrestricted	3,497,065	3,590,376	16,927,606	24,015,047
 Total net assets	<u>\$8,511,885</u>	<u>\$13,391,935</u>	<u>\$ 19,383,406</u>	<u>\$41,287,226</u>

The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Revenues, Expenses and
Changes in Net Assets
Enterprise Funds
For the Year Ended June 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Water/Sewer</u>	<u>Totals</u>
Operating revenue				
Charges for services	\$ 727,965	\$ 198,060	\$ -	\$ 926,025
Other	<u>8,757</u>	<u>5,000</u>	<u>-</u>	<u>13,757</u>
Total operating revenue	<u>736,722</u>	<u>203,060</u>	<u>-</u>	<u>939,782</u>
Operating expenses				
Public works	423,298	-	4,800	428,098
Depreciation	<u>271,015</u>	<u>66,757</u>	<u>261,775</u>	<u>599,547</u>
Total operating expenses	<u>694,313</u>	<u>66,757</u>	<u>266,575</u>	<u>1,027,645</u>
Operating income (loss)	<u>42,409</u>	<u>136,303</u>	<u>(266,575)</u>	<u>(87,863)</u>
Nonoperating revenue (expense)				
Interest revenue	213,698	184,597	1,049,258	1,447,553
Interest expense	(333,654)	(243,870)	(731,351)	(1,308,875)
Change in equity of MHOG	<u>-</u>	<u>685,707</u>	<u>-</u>	<u>685,707</u>
Total nonoperating revenue	<u>(119,956)</u>	<u>626,434</u>	<u>317,907</u>	<u>824,385</u>
Income before transfers	<u>(77,547)</u>	<u>762,737</u>	<u>51,332</u>	<u>736,522</u>
Transfers in	-	-	865,546	865,546
Transfers out	<u>(872,546)</u>	<u>-</u>	<u>-</u>	<u>(872,546)</u>
Change in net assets	<u>(950,093)</u>	<u>762,737</u>	<u>916,878</u>	<u>729,522</u>
Net assets, beginning of year, as restated	<u>9,461,978</u>	<u>12,629,198</u>	<u>18,466,528</u>	<u>40,557,704</u>
Net assets, end of year	<u><u>\$8,511,885</u></u>	<u><u>\$13,391,935</u></u>	<u><u>\$ 19,383,406</u></u>	<u><u>\$41,287,226</u></u>

The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Water/Sewer</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers, residents and users	\$ 705,741	\$ 205,431	\$ -	\$ 911,172
Cash paid to suppliers	<u>(431,453)</u>	<u>(4,285)</u>	<u>(602,017)</u>	<u>(1,037,755)</u>
Net cash provided (used) by operating activities	<u>274,288</u>	<u>201,146</u>	<u>(602,017)</u>	<u>(126,583)</u>
Cash flows from capital and related financing activities				
Principal paid on long-term debt	(275,000)	(330,324)	(725,000)	(1,330,324)
Interest payments on long-term debt	(323,002)	(235,918)	(750,622)	(1,309,542)
Collections on special assessments	187,610	283,178	772,193	1,242,981
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>(4,004,650)</u>	<u>(4,004,650)</u>
Net cash provided by (used in) capital and related financing activities	<u>(410,392)</u>	<u>(283,064)</u>	<u>(4,708,079)</u>	<u>(5,401,535)</u>
Cash flows from noncapital financing activities				
Transfers from other funds	-	-	865,546	865,546
Transfers to other funds	<u>(872,546)</u>	<u>-</u>	<u>-</u>	<u>(872,546)</u>
Net cash used by noncapital financing activities	<u>(872,546)</u>	<u>-</u>	<u>865,546</u>	<u>(7,000)</u>
Cash flows from investing activities				
Interest income received	<u>213,698</u>	<u>184,597</u>	<u>1,049,258</u>	<u>1,447,553</u>
Net increase (decrease) in cash and cash equivalents	<u>(794,952)</u>	<u>102,679</u>	<u>(3,395,292)</u>	<u>(4,087,565)</u>
Cash and cash equivalents, beginning of year	<u>2,334,513</u>	<u>2,227,420</u>	<u>7,058,305</u>	<u>11,620,238</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,539,561</u></u>	<u><u>\$ 2,330,099</u></u>	<u><u>\$ 3,663,013</u></u>	<u><u>\$ 7,532,673</u></u>

Continued...

Howell Township
Statement of Cash Flows (Concluded)
Enterprise Funds
For the Year Ended June 30, 2008

	<u>Sewer</u>	<u>Water</u>	<u>Water/Sewer</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 42,409	\$ 136,303	\$ (266,575)	\$ (87,863)
Depreciation	271,015	66,757	261,775	599,547
Amortization of bond issuance costs, discounts and deferred loss on refunding	17,170	-	9,016	26,186
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
(Increase) decrease in:				
Accounts receivable	(30,981)	4,792	-	(26,189)
Reserves with County	-	2,846	-	2,846
Advances for future projects	-	-	(25,713)	(25,713)
Due from other funds	-	(5,267)	-	(5,267)
Increase (decrease) in:				
Accounts payable	(30,592)	(4,285)	(580,520)	(615,397)
Due to other funds	5,267	-	-	5,267
Net cash provided (used) by operating activities	<u>\$ 274,288</u>	<u>\$ 201,146</u>	<u>\$ (602,017)</u>	<u>\$ (126,583)</u>

Non-cash transactions

During the year, the Township's equity in the Marion, Howell, Ocoola and Genoa Sewer and Water Authority increased \$1,606,064. This transaction did not involve cash.

The accompanying notes are an integral part of these financial statements.

Howell Township
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Trust & Agency Fund</u>	<u>Current Tax Fund</u>	<u>Health Flex</u>	<u>Total</u>
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 108,641	\$ 152	\$ 10,614	\$ 119,407
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES</u>				
Liabilities				
Accounts and deposits payable	\$ 105,396	\$ 137	\$ 10,614	116,147
Due to other governments	3,245	15	-	3,260
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	\$ 108,641	\$ 152	\$ 10,614	\$ 119,407
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

NOTES to the FINANCIAL STATEMENTS

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Howell Township (the “government” or “Township”) is governed by an elected seven-member board. The Township has adopted the position of the Governmental Accounting Standards Board (GASB) Statement #14 regarding the definition of reporting entity and has determined that no entities should be consolidated into the financial statements as component units. The criteria for including a component unit include significant operational or financial relationships with the government.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the respective fund financial statements.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *road special revenue fund* accounts for the collection of property taxes and expenditures related to the extra voted road mileage.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

The government reports the following major proprietary funds:

The *sewer enterprise fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water enterprise fund* accounts for the activities of the government's water distribution and treatment system.

The *sewer/water enterprise fund* accounts for the activities of the government's joint sewage disposal and water distribution and treatment systems.

Additionally, the government reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including capital projects or permanent funds.

The *agency funds* account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

D. Assets, liabilities and net assets/equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
System infrastructure	30-50
Vehicles	3-30
Equipment	5-15

4. Compensated absences

It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted at the activity level for the general and special revenue funds each fiscal year on a basis consistent with generally accepted accounting principles. The government's final budget must be prepared and adopted prior to April 1st of each year.

Reported budgeted amounts are as originally adopted or as amended by the Township Board. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

B. Excess of expenditures over appropriations

P. A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2008, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

		Final Budget	Actual	Variance
<hr/>				
General Fund -				
Recreation and culture	\$	3,425	\$ 3,934	\$ 509

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and investments as shown on the statement of net assets and statement of fiduciary net assets follows:

Statement of net assets -	
Cash and cash equivalents	\$ 9,829,725
Statement of fiduciary net assets -	
Cash and cash equivalents	<u>119,407</u>
	<u>\$ 9,949,132</u>
Classification of deposits and investments:	
Bank deposits (checking accounts, savings accounts and CDs)	\$ 9,948,832
Cash on hand	<u>300</u>
	<u>\$ 9,949,132</u>

Deposit and investment risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require, and during the year the Township did not have, a policy for deposit custodial credit risk. As of year end, \$9,677,191 of the Township's bank balance of \$9,982,981 was exposed to custodial credit risk because it was uninsured and uncollateralized. Subsequent to year end, the Township entered into an agreement with its primary depository bank to collateralize all or a significant portion of the Township's deposits with that bank.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Township does not have a policy for investment custodial credit risk.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township had no investments that required credit risk ratings at year end.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Township's investment policy does not have specific limits in excess of state law on concentration of credit risk.

B. Reserves with County

In addition to the balances accumulated in the Township's enterprise funds, there are also monies maintained by the County, which administers certain water and sewer projects for the Township.

The Township's portion of each of the County-maintained funds at June 30, 2008, is as follows:

Construction funds:

Howell Joint Township Water System	\$ 4,633
Treatment Plant Series "D"	6,435
Treatment Plant Series "E"	<u>17,300</u>
Total reserves	<u>\$ 28,368</u>

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

C. Capital assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated - land	<u>\$ 265,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,392</u>
Capital assets being depreciated:				
Buildings and improvements	<u>804,110</u>	<u>-</u>	<u>-</u>	<u>804,110</u>
Furniture and equipment	<u>210,755</u>	<u>6,866</u>	<u>-</u>	<u>217,621</u>
Total capital assets being depreciated	<u>1,014,865</u>	<u>6,866</u>	<u>-</u>	<u>1,021,731</u>
Less accumulated depreciation for:				
Buildings and improvements	<u>160,823</u>	<u>26,804</u>	<u>-</u>	<u>187,627</u>
Furniture and equipment	<u>97,464</u>	<u>16,664</u>	<u>-</u>	<u>114,128</u>
Total accumulated depreciation	<u>258,287</u>	<u>43,468</u>	<u>-</u>	<u>301,755</u>
Total capital assets being depreciated, net	<u>756,578</u>	<u>(36,602)</u>	<u>-</u>	<u>719,976</u>
Governmental activities capital assets, net	<u><u>\$ 1,021,970</u></u>	<u><u>\$ (36,602)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 985,368</u></u>

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated -				
Construction in progress	<u>\$ 6,707,207</u>	<u>\$ 4,151,740</u>	<u>\$ 6,707,207</u>	<u>\$ 4,151,740</u>
Capital assets being depreciated:				
Sewer system	13,352,875	-	-	13,352,875
Water system	3,337,864	2,996	3,025	3,337,835
Sewer/Water system	<u>6,210,402</u>	<u>6,560,117</u>	<u>-</u>	<u>12,770,519</u>
Total capital assets being depreciated	<u>22,901,141</u>	<u>6,563,113</u>	<u>3,025</u>	<u>29,461,229</u>
Less accumulated depreciation for:				
Sewer system	1,119,758	271,015	-	1,390,773
Water system	90,458	66,818	61	157,215
Sewer/Water system	<u>248,416</u>	<u>261,775</u>	<u>-</u>	<u>510,191</u>
Total accumulated depreciation	<u>1,458,632</u>	<u>599,608</u>	<u>61</u>	<u>2,058,179</u>
Total capital assets being depreciated, net	<u>21,442,509</u>	<u>5,963,505</u>	<u>2,964</u>	<u>27,403,050</u>
Business-type activities capital assets, net	<u>\$ 28,149,716</u>	<u>\$ 10,115,245</u>	<u>\$ 6,710,171</u>	<u>\$ 31,554,790</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	<u>\$ 43,468</u>
Business-type activities:	
Sewer	\$ 271,015
Water	66,818
Sewer/Water	<u>261,775</u>
Total depreciation expense – business-type activities	<u>\$ 599,608</u>

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

D. Payables

Payables (all governmental and business-type activities) are 100 percent vendors.

E. Long-term debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for business-type activities. These bonds are reported in the proprietary funds because they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Business-type activities:

\$3,375,000 Livingston County Joint Water System – System B due in annual installments of \$175,000 through May 1, 2014, interest at 4.38%	\$ 1,050,000
\$625,000 Livingston County Joint Water System - System D due in annual installments of \$39,352 through June 1, 2016, interest at 5.125% to 5.25%	314,817
\$743,750 Livingston County Joint Water System - Series E due in annual installments of \$40,972 to \$53,472 through June 1, 2016, interest at 5.2% to 5.375%	390,281
\$3,300,000 2004 General Obligation Limited Tax Bonds due in annual installments of \$100,000 to \$275,000 through May 1, 2026, interest at 3.25% to 4.75%	3,150,000
\$9,995,000 2005 Special Assessment Limited Tax Bonds due in annual installments of \$525,000 through May 1, 2025, interest at 3.5% to 5.0%	8,925,000
\$1,835,000 2006 Special Assessment Limited Tax Bonds due in annual installments of \$75,000 to \$100,000 through May 1, 2026, interest at 3.5% to 4.4%	1,740,000

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

\$5,700,000 2006 General Obligation Limited Tax Bonds
due in annual installments of \$200,000 to \$420,000
through June 1, 2026, interest at 4.0% to 4.625% \$ 5,340,000

\$8,425,000 2007 Special Assessment Limited Tax
Bonds due in annual installments of \$200,000 to
\$600,000 through May 1, 2027, interest at 4.0%
to 4.375% 8,225,000

Total bonds payable **\$29,135,098**

Annual debt service requirements to maturity for bonds are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 1,355,324	\$ 1,249,823	\$ 2,605,147
2010	1,355,325	1,196,874	2,552,199
2011	1,395,325	1,142,391	2,537,716
2012	1,472,824	1,086,114	2,558,938
2013	1,557,824	1,027,205	2,585,029
2014-2018	7,588,476	4,144,348	11,732,824
2019-2023	8,655,000	2,425,798	11,080,798
2024-2027	<u>5,755,000</u>	<u>543,449</u>	<u>6,298,449</u>
	<u>\$ 29,135,098</u>	<u>\$ 12,816,002</u>	<u>\$ 41,951,100</u>

Installment purchase contract. The government entered into a purchase installment contract to provide funds in the amount of \$545,000 for the Township's portion of the Lambert Road pump station. This loan is expected to be repaid from the sewer enterprise fund. Repayment is due in annual installments ranging from \$30,000 to \$68,571 through September 1, 2016 with interest at 3.95%.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

Annual debt service requirements to maturity for the installment purchase contract are as follows:

Year Ended June 30	Prinicipal	Interest	Total
2009	\$ 30,000	\$ 20,932	\$ 50,932
2010	35,000	19,651	54,651
2011	68,571	17,606	86,177
2012	68,571	14,897	83,468
2013	68,571	12,188	80,759
2014-2016	274,287	21,672	295,959
	\$ 545,000	\$ 106,946	\$ 651,946

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental activities -					
Compensated absences	\$ 19,775	\$ -	\$ 6,446	\$ 13,329	\$ -
Business-type activities:					
General obligation bonds	\$ 30,465,422	\$ -	\$ (1,330,324)	\$ 29,135,098	\$ 1,355,324
Deduct deferred amounts:					
Bond discount	(189,805)	-	10,108	(179,697)	-
Loss on refunding	(30,337)	-	1,597	(28,740)	-
Installment purchase contract	545,000	-	-	545,000	30,000
Total business-type activities	\$ 30,790,280	\$ -	\$ (1,320,216)	\$ 29,471,661	\$ 1,385,324

For the governmental activities, compensated absences are liquidated by the general fund.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

F. Interfund receivables, payables and transfers

At June 30, 2008, interfund receivables and payables were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Sewer enterprise	\$ -	\$ 558,741
Water enterprise	5,267	-
Nonmajor governmental funds	553,474	-
	<u>\$ 558,741</u>	<u>\$ 558,741</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

For the year ended June 30, 2008, interfund transfers consisted of the following:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
General	\$ 7,000	\$ 12,433
Sewer enterprise	-	872,546
Sewer/Water enterprise	865,546	-
Nonmajor governmental funds	12,433	-
	<u>\$ 884,979</u>	<u>\$ 884,979</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

G. Lease commitment

As of June 30, 2008, the Township entered into an agreement to lease a Doc-Star Scanning System for a period of two years. The Township is committed to monthly payments of \$1,148 until April 2009.

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

H. Joint ventures

Marion, Howell, Oceola and Genoa Sewer and Water Authority

The Township is a member of the Marion, Howell, Oceola and Genoa Sewer and Water Authority (the "Authority" or "MHOG"). The Authority was incorporated by the townships of Marion, Howell, Oceola and Genoa. The Authority is responsible for the operations of the joint water systems. Howell Township's equity in this joint venture as of June 30, 2008 is \$11,526,037 which is recorded in the water fund and on the government-wide statement of net assets. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of the joint venture in the foreseeable future. Complete financial statements for the Marion, Howell, Oceola and Genoa Sewer and Water Authority can be obtained from the administrative offices at the Township of Oceola, Livingston County, Michigan. Authority balances as of September 30, 2007 are as follows:

Total assets	\$ 46,478,386
Total liabilities	374,239
Total net assets	46,104,147
Total revenue	2,103,525
Total expenses	2,839,058

Howell Area Fire Authority

The Township is a member of the Howell Area Fire Authority, which was jointly incorporated by the City of Howell, Cohoctah Township, Marion Township, Oceola Township and Howell Township (the "Municipalities") for the purpose of providing fire protection and other emergency health and safety services to the Municipalities. The Township appoints a member to the joint venture's governing board, which approves the annual budget. The funding for the Authority is provided by a dedicated voter-approved millage. The Township's equity interest in the joint venture at June 30, 2007 was \$431,490 which is recorded within the governmental activities column in the statement of net assets. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the foreseeable future. Complete financial statements of the Authority can be obtained from the administrative offices at the Township of Howell, Michigan. Authority balances as of June 30, 2007, the latest audited financial statements available, were as follows:

Total assets	\$ 2,113,425
Total liabilities	74,248
Total net assets	2,039,177
Total revenue	2,223,718
Total expenses	1,966,204

HOWELL TOWNSHIP, MICHIGAN

Notes To Financial Statements

IV. OTHER INFORMATION

A. Property taxes

Real and personal property taxes are recorded as revenue in the year for which they are levied, provided they are collectible during that year or within 60 days following that year's end. Property tax revenues shown in the general fund and road special revenue fund reflect the 2007 Township levies of .8931 mills and .9496 mills, respectively, on the taxable valuation of property located in the Township as of the preceding December 31.

Taxable values are established annually by the County and are equalized by the State at an estimated 50% of current market value or \$339,020,224. The 2007 levy became a lien on properties on December 1, 2007, and was substantially collected in early 2007. Taxes became delinquent on March 1, 2008.

B. Defined contribution pension plan

The Howell Township Pension Plan provides pension benefits for all Township officials and all other employees who work at least 24 hours per week on a regular basis, and who choose to belong to the plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's accounts and the returns on the investments of those contributions.

As established by the Township Board, the Township contributes 15 percent of employees' gross earnings. Additionally, participants may contribute up to 10 percent of gross earnings on an after tax basis. In accordance with these requirements, the Township contributed \$62,048 during the year. No amounts were contributed by the participants.

C. Restatements

Beginning net assets of the water enterprise fund were reduced by \$21,490 and used to set up beginning net assets of \$21,490 in the new capital improvement special revenue fund.

* * * * *

COMBINING FUND FINANCIAL STATEMENTS

Howell Township
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds			Total
	<u>Township Improvement</u>	<u>Capital Improvement</u>	<u>Parks and Recreation</u>	
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 213,048	\$ 18,570	\$ 31,974	\$ 263,592
Due from other funds	<u>553,474</u>	<u>-</u>	<u>-</u>	<u>553,474</u>
<u>TOTAL ASSETS</u>	<u>\$ 766,522</u>	<u>\$ 18,570</u>	<u>\$ 31,974</u>	<u>\$ 817,066</u>
<u>FUND BALANCES</u>				
Fund balances				
Unreserved, undesignated	<u>\$ 766,522</u>	<u>\$ 18,570</u>	<u>\$ 31,974</u>	<u>\$ 817,066</u>

Howell Township
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds			
	<u>Township Improvement</u>	<u>Capital Improvement</u>	<u>Parks and Recreation</u>	<u>Total</u>
Revenue				
Interest and other revenue	\$ 7,213	\$ 105	\$ 176	\$ 7,494
Expenditures				
Current - Recreation and culture	-	-	857	857
Capital outlay	-	3,025	-	3,025
Total expenditures	-	3,025	857	3,882
Revenue over (under) expenditures	7,213	(2,920)	(681)	3,612
Other financing sources				
Transfers in	-	-	12,433	12,433
Net change in fund balances	7,213	(2,920)	11,752	16,045
Fund balances, beginning of year, as restated	759,309	21,490	20,222	801,021
Fund balances, end of year	\$ 766,522	\$ 18,570	\$ 31,974	\$ 817,066



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



September 22, 2008

To the Board of Trustees of
Howell Township
Howell Township

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Howell Township, Michigan** (the "Township") for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated May 20, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 4, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- To properly account for long term debt in the business-type activities
- To correct a beginning fund balance account
- To properly amortize bond issuance costs and bond discount and loss
- To record capital assets in the business-type activities
- To record depreciation expense in the business-type activities
- To adjust accrued interest in the business-type activities
- To record special assessment interest as revenue
- To record the Township's equity interest in the joint ventures
- To record the change in the amount on reserve with the County
- To record cash maintained at the front desk

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of the Howell Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is written over a horizontal line.

Howell Township

Comments and Recommendations

For the Year Ended June 30, 2008

In planning and performing our audit of the financial statements of Howell Township (the "Township") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described below, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that certain deficiencies, as described below, constitute material weaknesses.

Significant Deficiencies

Preparation of Financial Statements in Accordance with GAAP

Criteria. All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Howell Township

Comments and Recommendations (Continued)

For the Year Ended June 30, 2008

Condition. As is the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, primarily, on its external auditors, who cannot by definition be considered a part of the Township's internal controls.

Cause. Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors rather than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

Effect. As a result of this condition, the Township lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials. The Township has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Material Weakness

Audit Adjustments

Criteria. The government is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted final trial balance, from which the basic financial statements are derived.

Condition. A total of 19 adjusting journal entries were needed in order to create a reasonably adjusted final trial balance, all of which we considered to be significant entries. These included entries needed for the following:

- To properly account for long term debt in the business-type activities
- To correct a beginning fund balance account
- To properly amortize bond issuance costs and bond discount and loss
- To record capital assets in the business-type activities
- To record depreciation expense in the business-type activities
- To adjust accrued interest in the business-type activities

Howell Township

Comments and Recommendations (Concluded)

For the Year Ended June 30, 2008

- To record special assessment interest as revenue
- To record the Township's equity interest in the joint ventures
- To record the change in the amount on reserve with the County
- To record cash maintained at the front desk

Cause. Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect: As a result of this condition, the government is not able to produce accurate financial information.

View of Responsible Officials.

Other Matters

Internal Controls – Segregation of Duties

During the course of the audit it was noted that:

- Billing is not independent of cash handling for proprietary funds
- Recording of credit adjustments and refunds is not independent of cash handling and other accounts receivable bookkeeping
- Invoice processing and accounts payable are not segregated from the general ledger function
- Persons preparing payroll are not restricted from access to other payroll data or cash

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

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